

MANITOBA) Order No. 11/94
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THE PUBLIC UTILITIES BOARD ACT) February 4, 1994

Before: G. D. Forrest, Chairman
Catherine Milner, Member
W. C. Pearson, Q.C., Member

CENTRA GAS MANITOBA INC.
APPLICATION FOR APPROVAL OF
RATES FLOWING FROM BOARD ORDER 8/94

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1.0 The Application

Order 8/94 dated January 28, 1994 set out the decision of the Public Utilities Board ("the Board") resulting from an application from Centra Gas Manitoba Inc. ("the Company") for an Order approving:

1. Rates for the sale of natural gas and the provision of transportation services, to be effective with respect to all gas consumed on and after January 1, 1994.
2. Determination of a year-end rate base, rate of return and revenue requirement based on a 1993 test year including new gas supply arrangements.
3. Confirmation of Interim Ex Parte Order 113/93 related to franchise agreements with the Rural Municipality of Elton and the Rural Municipality of Grey.
4. Other related matters.

The Board's decisions in Order 8/94 required that a number of adjustments be made to the application filed by the Company. As a result, the Board instructed the Company to file, amongst other documents, the following for approval by the Board:

1. A revised calculation of rate base and revenue requirement reflecting the Board's decisions contained in Order 8/94.
2. A cost allocation study to reflect the Board's decisions and a revised rate schedule using, to the greatest extent possible, the revenue to cost ratios contained in the Company's revised application.

Other instructions from the Board to the Company included that:

1. The Company's revised rate schedule include a rate rider to recover the revenues from January 1, 1994 to January 31, 1994 associated with the effective implementation of the rates on February 1, 1994.
2. The Weighted Average Cost of Gas ("WACOG") included in the revised filing become effective January 1, 1994 for the purposes of the Purchased Gas Variance Account ("PGVA").

3. Year-end net plant as set out in the application be reduced by the cumulative costs of the following items which should be treated as work-in-progress:
 - a) Executive Office Pilot Study;
 - b) Meter Management Project;
 - c) Underground Service Records Project.
4. The cash requirement component of working capital be recalculated to reflect the adjustments made in the Order.
5.
 - a) A return on equity of 11.25 percent be established for the purpose of setting 1994 rates.
 - b) A range for the allowed return on equity for 1994 be established between 10.75 percent and 11.75 percent.
 - c) The capital structure contained in the Company's application of 60.17 percent debt and 39.83 percent equity be used to set the overall rate of return for 1994 rates.
 - d) A short-term debt cost of 5.50 percent be approved for the purpose of setting 1994 rates.
 - e) An overall allowed rate of return for 1994 of 10.17 percent be used to determine 1994 rates.
6. With respect to the calculation of normalized sales volumes:
 - a) The request to change the degree day definition by using 13.9 degrees Celsius instead of 18.0 degrees Celsius be denied.
 - b) The volumetric adjustments related to the use of high-efficiency furnaces and volume losses due to disconnected customers be denied.
7. With respect to the cost of gas:
 - a) The Board accepted, for the purposes of calculating gas costs, the use of New York Mercantile Exchange ("NYMEX") for the 1993/94 gas contract year and instructed the Company to revise all appropriate schedules to reflect this and other gas costs due to volumetric adjustment modifications specified in the Order.

- b) The Board approved the gas cost consequences arising from the newly-amended contract between Western Gas Marketing Limited ("WGML") and the Company for the 1993/94 gas contract year. For rate setting purposes the \$2.16937/GJ price under the Gas Supply Contract for the period November 1, 1993 to October 31, 1994 was approved.
8. The operating and maintenance expenses, for rate setting purposes, be reduced by \$900,000.
 9. The requested depreciation expense be adjusted for the reductions in rate base noted in 3. above.
 10. The requested 4.0 percent known and measurable adjustment for the Provincial reassessment be denied.
 11. The Company defer the costs of the Natural Gas Vehicle ("NGV") Business Plan until the benefits are determined.
 12. The cost of the St. Mary's/LeClaire Road extension that is included in rate base be limited to an amount which will result in a revenue to cost ratio of 100 percent by year five.

The revised rates are to be effective for all billings on gas consumed on or after February 1, 1994.

The revenue increases and customer class impacts resulting from this discussion are set out in Sections 2.7 (annualized) and 2.8 (November 1, 1993 interim rates) of this Order.

The Board also approved the Company's Additional Charges pursuant to its Terms and Conditions of Service, on an interim basis.

2.0 The Company's Filing

The Company filed revised schedules pursuant to Order 8/94 on February 4, 1994. The following sections summarize the rate base, revenue requirement and rate impact resulting from Order 8/94.

2.1 Rate Base

2.1.1 Year-End Net Utility Plant

The Company submitted the following calculation of year-end net utility plant to reflect the adjustments noted in Section 1.0.

	1993 Requested	Adjustments	1993 Allowed
Year-end plant	\$318,895,400	(\$2,388,000)	\$316,507,400
Accumulated depreciation	(91,975,100)	155,200	(91,819,900)
Contributions in aid of construction	(3,595,500)	-	(3,595,500)
Year-end net utility plant	\$223,324,800	(\$2,232,800)	\$221,092,000

2.1.2 Working Capital Allowance

The Company submitted the following calculation of working capital allowance to reflect the Board's adjustments in Order 8/94:

Component	1993 Requested	Adjustments	1993 Allowed
Cash requirement	\$ 9,228,700	(\$296,000)	\$8,932,700
Inventories	20,919,500		20,919,500
Finance contracts	4,048,400		4,048,400
Customer security Deposits			
Gas storage inventory	(1,278,700)		(1,278,700)
	8,707,000		8,707,000
Total working capital allowance	\$41,624,900	(\$296,000)	\$41,328,900

2.1.3 Rate Base Summary

With regard to the various adjustments as presented in Sections 2.1.1. and 2.1.2, the Company's calculation of 1993 year-end rate base is:

	1993 Requested	Adjustments	1993 Allowed
Year-end net utility plant	\$223,324,800	(\$2,232,800)	\$221,092,000
Working capital allowance	41,624,900	(296,000)	41,328,900
1993 year-end rate base	\$264,949,700	(\$2,528,800)	\$262,420,900

2.2 Return on Rate Base

Based on the 1993 year-end rate base of \$262,420,900 and the overall allowed rate of return of 10.17 percent as approved in Order 8/94, the return on rate base is calculated as follows:

	1993 Requested	Adjustments	1993 Allowed
Return on rate base	\$28,031,700	(\$1,343,500)	\$26,688,200

2.3 Income Taxes

The 1993 revenue requirement for income taxes as adjusted for the Board's decision is as follows:

	1993 Requested	Adjustments	1993 Allowed
Income tax - existing sales rates	(\$1,192,379)	\$1,099,600	(\$92,779)
Income tax - revenue deficiency	13,676,879	(2,354,693)	11,322,186
Income tax - allowed sales rates	\$12,484,500	(\$1,255,093)	\$11,229,407

2.4 Cost of Gas and Gas Sales

The Company's calculations of the adjustments in cost of gas and revenue at existing rates because of the denial of the energy efficiency legislation and disconnected customer adjustments are as follows:

	1993 Requested	Adjustments	1993 Allowed
Cost of gas	\$177,704,800	\$1,468,600	\$179,173,400
Revenue at existing rates	\$256,609,700	\$2,684,307	\$259,294,007

2.5 Summary of Revenue Requirement

Based on the Board's instructions and the adjustments noted in Sections 1.0 and 2.1 to 2.4, the Company's calculation of the adjusted revenue requirement is as follows:

Component	1993 Requested	Adjustments	1993 Allowed
Cost of gas	\$177,704,800	\$1,468,600	\$179,173,400
Operating expenses	46,358,900	(900,000)	45,458,900
Amortization	1,640,300	-	1,640,300
Depreciation	11,168,400	(216,600)	10,951,800
Municipal and other taxes	12,570,000	(421,800)	12,148,200
Income taxes	12,484,500	(1,255,093)	11,229,407
Return on rate base	28,031,700	(1,343,500)	26,688,200
Total revenue requirement	289,958,600	(2,668,393)	287,290,207
Other income	(2,955,800)	120,000	(2,835,800)
Revenue requirement - gas sales	287,002,800	(2,548,393)	284,454,407
Revenue at existing annual rates	256,609,700	2,684,307	259,294,007
Revenue deficiency	\$ 30,393,100	(\$5,232,700)	\$25,160,400

The above-noted revenue deficiency is calculated over the revenues generated by February 1, 1993 annualized rates. The 1993 requested revenue deficiency over November 1, 1993 interim rates was \$2,170,464. The allowed revenue represents a surplus over November 1, 1993 interim rates of \$3,420,564.

2.6 Revenue to Cost Ratios

The revenue to cost ratios ("R/C Ratios") as applied for (December 15, 1993) by the Company and resubmitted in the current filing (February 4, 1994) are as follows:

Customer Class	R/C Ratios	
	December 15, 1993	February 4, 1994
SGS	0.978	0.979
LGS	1.033	1.032
Special contracts	1.014	1.015
Interruptible	1.025	1.022
Overall	1.000	1.000

2.7 Annualized Revenue Increases and Customer Class Impacts

The annualized increases (over that generated by February 1, 1993 rates) in revenue (excluding rate rider adjustments) for each of the customer classes as requested and as refiled, are as follows:

Customer Class	Percent Increase	
	December 15, 1993	February 4, 1994
SGS	11.16	8.65
LGS	12.72	11.10
Special contracts	0.00	0.00
Interruptible	14.01	12.56
Overall	11.84	9.70

The Company's application, as amended December 15, 1993, reflected the following customer class rate changes both before and after rate riders:

Customer Class	Impact Excluding Rate Riders	Impact Including Rate Riders
SGS	10.7% to 12.7%	11.1% to 13.1%
LGS	9.7% to 13.9%	12.0% to 17.4%
Special contract	0.00%	0.00%
Interruptible	14.4% to 14.9%	18.3% to 18.9%
T-Service	1.4% to 4.1%	1.4% to 4.1%
Interruptible T	1.3% to 1.5%	1.3% to 1.5%

The following is the revised customer class impacts for rates on or after February 1, 1994 (including all rate riders). The impacts reflect the Board's decisions in Order 8/94:

Customer Class	Impact Including Rate Riders
SGS	10.2% to 12.0%
LGS	10.3% to 14.9%
Special contract	0.00%
Interruptible	17.4% to 18.0%
T-Service	-0.8% to -2.4%
Interruptible T	-3.4% to -4.0%

2.8 Revenue Increases and Customer Class Impact over Interim Rates

The increases in revenue (excluding rate rider adjustments) for each of the customer classes as requested and as refiled (over that generated by November 1, 1993 interim rates) are as follows:

Customer Class	Percent Increase (from November 1, 1993 Interim Rates)	
	December 15, 1993	February 4, 1994
SGS	3.26%	0.92%
LGS	-2.78%	-4.18%
Special contracts	0.00%	0.00%
Interruptible	-2.38%	-3.62%
Overall	0.76%	-1.18%

The Company's application, as amended December 15, 1993, reflected the following customer class rate changes (from interim rates effective November 1, 1993) both before and after the rate riders:

Customer Class	Impact from November 1, 1993 Interim Rates	
	Excluding Rate Riders	Including Rate Riders
SGS	-1.5% to -1.8%	3.1% to 3.7%
LGS	-3.8% to -5.2%	-2.2% to -3.0%
Special contract	0.00	0.00
Interruptible	-7.1% to -7.3%	-2.5% to -2.6%
T-Service	1.3% to 3.8%	1.3% to 3.8%
Interruptible T	0.8% to 1.0%	0.8% to 1.0%

The following is the revised customer class impacts (from interim rates effective November 1, 1993) for rates on or after February 1, 1994 (including all rate riders). The impacts reflect the Board's decisions in Order 8/94.

Customer Class	Impact from November 1, 1993 Interim Rates (Including Rate Riders)
SGS	2.3% to 2.7%
LGS	-3.7% to -5.0%
Special contract	0.00%
Interruptible	-3.3% to -3.4%
T-Service	-0.9% to -2.8%
Interruptible T	-3.8% to -4.4%

3.0 Board Findings

The Board has reviewed the Company's submission and is satisfied that the revised schedules and rates reflect the Board's decisions set out in Order 8/94. Accordingly, the Board will approve the schedules of rates and additional charges attached as Appendix A, B and C to this Order.

The Board notes that the increase to the annual heating bill for the typical residential customer for 1994 over the interim rates approved to be effective November 1, 1993 is approximately 0.9% percent.

SCHEDULE "A"

CENTRA GAS MANITOBA INC.

Interruptible Sales and Interruptible T-Service
Interim Rate Schedule

Territory: Entire natural gas service area of the Company, including all zones.

Availability: For any customer at one location whose natural gas requirements equal or exceed annual rate of 340,000 m³ and who contract for such service for a minimum of one year. Sales under this rate shall be limited to the extent that the Company considers it has available natural gas supplies.

Service: Shall be agreed upon by contract between customer and Company recognizing, among other factors, the size and characteristic of customer's requirements, amount of facilities required to be constructed by Company, minimum purchase obligation of customer, priority of delivery service, and term of contract. The contract shall be filed with The Public Utilities Board.

Rates:	Categories:	<u>Sales Rates</u> (/m ³)	<u>T-Service Rate</u> (/m ³)
	Class 4 - 340,000 to 680,000 m ³ Annually	\$0.1237	\$0.0229
	Class 3 - 680,000 to 1,700,000 m ³ Annually	0.1217	0.0209
	Class 2 - 1,700,000 to 3,400,000 m ³ Annually	0.1207	0.0199
	Class 1 - Over 3,400,000 m ³ Annually	0.1202	0.0194
	Peaking Supply - Actual Cost of Peaking Gas Delivered Plus a Delivery Charge of	0.0201	N/A

Late Payment Charge: A late payment charge of 1 1/2% per month shall be charged on the dollar amount owing after each billing due date. The due date will be at least 21 days after the mailing date of the bills.

Effective: Rates to be charged for all billings based on gas consumed on and after February 1, 1994.



SCHEDULE "B"

CENTRA GAS MANITOBA INC.

Interruptible Sales and Interruptible T-Service
Annual Rate Schedule

Territory: Entire natural gas service area of the Company, including all zones.

Availability: For any customer at one location whose natural gas requirements equal or exceed annual rate of 340,000 m³ and who contract for such service for a minimum of one year. Sales under this rate shall be limited to the extent that the Company considers it has available natural gas supplies.

Service: Shall be agreed upon by contract between customer and Company recognizing, among other factors, the size and characteristic of customer's requirements, amount of facilities required to be constructed by Company, minimum purchase obligation of customer, priority of delivery service, and term of contract. The contract shall be filed with The Public Utilities Board.

Rates:	Categories:	Sales Rates (/m³)	T-Service Rate (/m³)
	Class 4 - 340,000 to 680,000 m ³ Annually	\$0.1234	\$0.0230
	Class 3 - 680,000 to 1,700,000 m ³ Annually	0.1214	0.0210
	Class 2 - 1,700,000 to 3,400,000 m ³ Annually	0.1204	0.0200
	Class 1 - Over 3,400,000 m ³ Annually	0.1199	0.0195
	Peaking Supply - Actual Cost of Peaking Gas Delivered Plus a Delivery Charge of	0.0201	N/A

Late Payment Charge: A late payment charge of 1 1/2% per month shall be charged on the dollar amount owing after each billing due date. The due date will be at least 21 days after the mailing date of the bills.

Effective: Rates to be charged for all billings based on gas consumed on and after January 1, 1995.



SCHEDULE "B"

CENTRA GAS MANITOBA INC.

Firm Sales and T-Service
Annual Rate Schedule

Territory: Entire natural gas service area of the Company, including all zones.

Availability: SGS - For gas supplied through one domestic sized meter on a firm basis.

LGS & T-Service - For gas delivered through one meter other than domestic sized meters on a firm basis.

Rate: Fixed Monthly Charge:
SGS Sales \$10.00 per Month
LGS and T-Service 50.00 per Month

<u>SGS</u>	<u>LGS</u>	<u>T-Service</u>
<u>Sales</u>	<u>Sales</u>	
(/m ³)	(/m ³)	

Categories:

SGS Sales \$0.1855

LGS Sales and T-Service

Class 4		
- 0 to 680,000 m ³ Annually	\$0.1496	0.0316
Class 3		
- 680,000 to 1,700,000 m ³ Annually	0.1476	0.0296
Class 2		
- 1,700,000 to 3,400,000 m ³ Annually	0.1466	0.0286
Class 1		
- Over 3,400,000 m ³ Annually	0.1461	0.0281

Special Contract Fixed Monthly Charge	47,200.00
Special Contract Commodity Charge	0.0016

Minimum

Monthly Bill: Equal to the Fixed Monthly Charge as described above.

Late Payment Charge:

A late payment charge of 1 1/2% per month shall be charged on the dollar amount owing after each billing due date. The due date will be at least 21 days after the mailing date of the bills.

Effective: Rates to be charged for all billings based on gas consumed on and after January 1, 1995.

SCHEDULE "C"

CENTRA GAS MANITOBA INC.

Additional Charges

Other rates charged for services include the following:

Late payment charge	1.5%
NSF charge	\$20.00
Rental charges	Various rates depending on equipment and revenue class code
Reconnection charge	\$48.00
Meter dispute test	
- Residential	\$35.00
- Commercial	\$130.00
Meter relocation charge	Various rates depending on size of meter
Legal fees	
- Filing claim	\$15.00
- Process server	\$22.00
- Garnishee order	\$20.00
- Other	Costs vary per judgement
Finance equipment charges	Varies per contract
Finance equipment interest charges	10.9%
Security Deposits	Varies per customer - generally equal to the three highest months consumption
Service disconnect/reconnect	\$220.00
Damage to plant	Labour, materials, equipment, and cost of lost gas
Service relocations	Labour, materials, and equipment
Service abandonments (cut off)	\$400 - \$750 plus depreciated plant value, City of Winnipeg permit, and backfill
Service work	Where service work is performed and charged for, billing consists of labour @ \$36.00/hour plus parts
Broker Administration Fee	\$.1472 per broker customer/month \$133.33/month/broker contract (Firm, Interruptible or Both)